



EXECUTIVE CHAMBERS

HONOLULU

LINDA LINGLE
GOVERNOR

April 8, 2004

OPEN LETTER TO ALL STATE EMPLOYEES

Having been in public service for two decades, I know our county and state employees are talented and hard working. Since taking office 16 months ago, I have heard on a regular basis from the department directors how dedicated and committed you are to serving the people of Hawai'i. I've also had the privilege of working with some of you, and I've greatly enjoyed meeting many of our employees during my visits to the departments. While I have not been able to visit every department yet, I want to let you know that I appreciate and value the work you are doing to help improve our state.

Thanks in part to your efforts, our state economy is recovering after a decade of stagnant growth and difficult times. Our economic outlook is improving and we have made gains over the past year. We want our state economy to continue to grow and provide the kind of needed services the people of Hawai'i deserve. While we are making economic strides, we must continue to maintain fiscal discipline to ensure long-term growth and economic stability.

As Governor, one of my duties is to carefully examine the state's overall fiscal condition before making wage offers to our employees. There were over 37 negotiation sessions to discuss our finances and attempt to reach a fair agreement with bargaining units 2, 3, 4, 6, 8 and 13. These units represent over 19,000 of the state's employees.

During the process of negotiations and mediation, we were able to find the resources to offer HGEA a wage hike of 1.5 percent in 2004. When coupled with a step increase, it would have resulted in a 4 percent raise for personnel in the six bargaining units. While it would have been a challenge to fund, it was an affordable offer and one we thought was fair to both the employees and the taxpayers.

Unfortunately, when your union leaders rejected that offer, there was no other alternative except to complete the arbitration process on salaries and wages.

Yesterday, I had the difficult task of recommending that the Hawai'i State Legislature reject the arbitration award for HGEA.

I took this action for one reason: the state simply cannot afford to fund the arbitrators' decision. My action does not mean I have any less respect or appreciation for state employees. Instead it reflects the economic reality we must face for the greater good of our people.

I am responsible for developing a six-year financial plan for the state, and thus I need to look at the arbitrators' award and factor in the financial impact beyond just the two-year contract. The arbitrators' decision would cost an estimated \$247 million over the next six years, even if no additional pay adjustments are made between now and FY 2009. That amount, compounded by the likelihood that other state employees in the HSTA and UPW will expect the same raises, could add up to over \$523 million, pushing our government into a serious deficit and necessitating substantial cuts to services and/or tax increases.

Approximately 83 percent of the state's money is dedicated to purposes beyond our control – paying off debts, funding salaries and retirement and health benefits for current and retired employees, and supporting legally mandated programs such as special education and mental health services. This leaves about 17 percent of the total budget (\$678 million) to fund all the other services the public wants and needs.

In the past, wage hikes were paid by raiding so-called special funds, such as your retirement fund or the highway fund. The fact that the legislature is again planning to raid special funds to balance the budget shows that our recurring revenues do not cover our recurring expenses.

Just as your families cannot spend more than they have, the state simply cannot continue to operate beyond its means. Funding pay raises at the level set by the arbitrator at this stage in our economic recovery would eliminate the gains we've made, and leave little to pay for public services and the kind of long-term investments our communities need to build a vibrant, sustainable economy.

I believe the four percent wage increase we offered is fair and can be funded. By working together and operating within our means, we will achieve our shared goals: a healthy economy, a fairly compensated workforce and properly funded programs that benefit all the residents of our state.

Mahalo for the work you do for our state.

Sincerely,

A handwritten signature in black ink, appearing to read 'Linda Lingle', with a stylized, flowing script.

LINDA LINGLE
Governor